

SENATE BILL NO. 516

INTRODUCED BY L. GROSFIELD

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF RURAL LAND; DEFINING AND PROVIDING FOR THE TAXATION OF RURAL NONAGRICULTURAL LAND AND RURAL RESIDENTIAL LAND AT ONE-QUARTER THE RATE FOR CLASS FOUR PROPERTY; CHANGING THE STANDARDS FOR PROPERTY TO QUALIFY AS AGRICULTURAL FOR PROPERTY TAX PURPOSES; REQUIRING SIMPLE ANNUAL CERTIFICATION TO RETAIN AN AGRICULTURAL PROPERTY TAX CLASSIFICATION; AMENDING SECTIONS 15-1-101, 15-6-133, 15-6-134, 15-6-201, 15-7-202, AND 15-7-206, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-101, MCA, is amended to read:

"15-1-101. (Temporary) Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to:

(i) the production of food, feed, and fiber commodities, livestock and poultry, bees, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for commercial purposes; and

(ii) the raising of domestic animals and wildlife in domestication or a captive environment.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "average wholesale value" means the value to a dealer prior to reconditioning and the profit margin shown in national appraisal guides and manuals or the valuation schedules of the department.

(d) (i) The term "commercial", when used to describe property, means property used or owned by a business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, except property described in subsection (1)(d)(ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

1 (B) timberlands and forest lands;

2 (C) single-family residences and ancillary improvements and improvements necessary to the
3 function of a bona fide farm, ranch, or stock operation;

4 (D) mobile homes and manufactured homes used exclusively as a residence except when held by
5 a distributor or dealer as stock in trade;

6 (E) all property described in 15-6-135; and

7 (F) all property described in 15-6-136.

8 (e) The term "comparable property" means property that:

9 (i) has similar use, function, and utility;

10 (ii) is influenced by the same set of economic trends and physical, governmental, and social
11 factors; and

12 (iii) has the potential of a similar highest and best use.

13 (f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

14 (g) (i) "Department", except as provided in subsection (1)(g)(ii), means the department of revenue
15 provided for in 2-15-1301.

16 (ii) In chapters 70 and 71, department means the department of transportation provided for in
17 2-15-2501.

18 (h) The terms "gas" and "natural gas" are synonymous and mean gas as defined in 82-1-111(2).
19 The terms include all natural gases and all other fluid hydrocarbons, including methane gas or any other
20 natural gas found in any coal formation.

21 (i) The term "improvements" includes all buildings, structures, fences, and improvements situated
22 upon, erected upon, or affixed to land. When the department determines that the permanency of location
23 of a mobile home, manufactured home, or housetrailer has been established, the mobile home,
24 manufactured home, or housetrailer is presumed to be an improvement to real property. A mobile home,
25 manufactured home, or housetrailer may be determined to be permanently located only when it is attached
26 to a foundation that cannot feasibly be relocated and only when the wheels are removed.

27 (j) The term "leasehold improvements" means improvements to mobile homes and mobile homes
28 located on land owned by another person. This property is assessed under the appropriate classification,
29 and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on
30 leasehold improvements are a lien only on the leasehold improvements.

(k) The term "livestock" means cattle, sheep, swine, goats, horses, mules, asses, llamas, alpacas, bison, ostriches, rheas, emus, and domestic ungulates.

(l) The term "manufactured home" means a residential dwelling built in a factory in accordance with the United States department of housing and urban development code and the federal Manufactured Home Construction and Safety Standards. A manufactured home does not include a mobile home, as defined in 61-1-501 and in subsection (1)(m) of this section, a housetrailer, as defined in 61-1-501, or a mobile home or housetrailer constructed before the federal Manufactured Home Construction and Safety Standards went into effect on June 15, 1976.

(m) The term "mobile home" means forms of housing known as "trailers", "housetrainers", or "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any trailer, housetrailer, or trailer coach up to 8 feet in width or 45 feet in length used as a principal residence.

(n) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements" and "intangible personal property" as that term is defined in 15-6-218.

(o) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(p) The term "property" includes money, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition may not be construed to authorize the taxation of the stocks of a company or corporation when the property of the company or corporation represented by the stocks is within the state and has been taxed.

(q) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8;

(iii) all timber belonging to individuals or corporations growing or being on the lands of the United States; and

(iv) all rights and privileges appertaining to mines, minerals, quarries, and timber.

(r) "Recreational" means hunting, fishing, swimming, boating, waterskiing, camping, biking, hiking, and winter sports, including but not limited to skiing, skating, and snowmobiling.

(s) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(t) "Rural nonagricultural land" means land that:

(i) is located outside the limits of a city or town;

(ii) consists of more than 160 contiguous acres;

(iii) produces, in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a), less than \$2,060 for the first 160 acres and less than \$8 per acre for each full acre in excess of 160 acres; and

(iv) is not devoted to commercial or industrial use.

(u) (i) "Rural residential land" means land that:

(A) is located outside the limits of a city or town;

(B) consists of not less than 20 or more than 160 contiguous acres;

(C) produces, in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a), less than \$1,500 for the first 20 acres and less than \$4 per acre for each full acre in excess of 20 acres; and

(D) is used or intended to be used for residential purposes, including incidental business operations conducted by the occupant and members of the occupant's family.

(ii) Rural residential land does not include property on which there are improvements, including a home, mobile home, or a housetrailer used as a residence, and 1 acre of land beneath the residential improvements.

~~(t)~~(v) The term "stock in trade" means any mobile home, manufactured home, or housetrailer that is listed by the dealer as inventory and that is offered for sale, is unoccupied, and is not located on a permanent foundation. Inventory does not have to be located at the business location of a dealer or a distributor.

~~(u)~~(w) The term "taxable value" means the percentage of market or assessed value as provided for in Title 15, chapter 6, part 1.

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" includes a county, city, incorporated town, township, school district, irrigation district, or drainage district or a person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification means the state tax appeal board.

15-1-101. (Effective January 1, 2003) Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to:

(i) the production of food, feed, and fiber commodities, livestock and poultry, bees, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for commercial purposes; and

(ii) the raising of domestic animals and wildlife in domestication or a captive environment.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "average wholesale value" means the value to a dealer prior to reconditioning and the profit margin shown in national appraisal guides and manuals or the valuation schedules of the department.

(d) (i) The term "commercial", when used to describe property, means property used or owned by a business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, except property described in subsection (1)(d)(ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

(B) timberlands and forest lands;

(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;

(D) mobile homes and manufactured homes used exclusively as a residence except when held by a distributor or dealer as stock in trade; and

(E) all property described in 15-6-135.

(e) The term "comparable property" means property that:

(i) has similar use, function, and utility;

(ii) is influenced by the same set of economic trends and physical, governmental, and social factors; and

(iii) has the potential of a similar highest and best use.

(f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(g) (i) "Department", except as provided in subsection (1)(g)(ii), means the department of revenue provided for in 2-15-1301.

(ii) In chapters 70 and 71, department means the department of transportation provided for in 2-15-2501.

(h) The terms "gas" and "natural gas" are synonymous and mean gas as defined in 82-1-111(2). The terms include all natural gases and all other fluid hydrocarbons, including methane gas or any other natural gas found in any coal formation.

(i) The term "improvements" includes all buildings, structures, fences, and improvements situated upon, erected upon, or affixed to land. When the department determines that the permanency of location of a mobile home, manufactured home, or housetrailer has been established, the mobile home, manufactured home, or housetrailer is presumed to be an improvement to real property. A mobile home, manufactured home, or housetrailer may be determined to be permanently located only when it is attached to a foundation that cannot feasibly be relocated and only when the wheels are removed.

(j) The term "leasehold improvements" means improvements to mobile homes and mobile homes located on land owned by another person. This property is assessed under the appropriate classification, and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on leasehold improvements are a lien only on the leasehold improvements.

(k) The term "livestock" means cattle, sheep, swine, goats, horses, mules, asses, llamas, alpacas, bison, ostriches, rheas, emus, and domestic ungulates.

(l) The term "manufactured home" means a residential dwelling built in a factory in accordance with the United States department of housing and urban development code and the federal Manufactured Home Construction and Safety Standards. A manufactured home does not include a mobile home, as defined in 61-1-501 and in subsection (1)(m) of this section, a housetrailer, as defined in 61-1-501, or a mobile home or housetrailer constructed before the federal Manufactured Home Construction and Safety Standards went into effect on June 15, 1976.

(m) The term "mobile home" means forms of housing known as "trailers", "housetrainers", or

"trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any trailer, housetrailer, or trailer coach up to 8 feet in width or 45 feet in length used as a principal residence.

(n) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements" and "intangible personal property" as that term is defined in 15-6-218.

(o) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(p) The term "property" includes money, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition may not be construed to authorize the taxation of the stocks of a company or corporation when the property of the company or corporation represented by the stocks is within the state and has been taxed.

(q) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8;

(iii) all timber belonging to individuals or corporations growing or being on the lands of the United States; and

(iv) all rights and privileges appertaining to mines, minerals, quarries, and timber.

(r) "Recreational" means hunting, fishing, swimming, boating, waterskiing, camping, biking, hiking, and winter sports, including but not limited to skiing, skating, and snowmobiling.

(s) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(t) "Rural nonagricultural land" means land that:

(i) is located outside the limits of a city or town;

(ii) consists of more than 160 contiguous acres;

(iii) produces, in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a), less than \$2,060 for the first 160 acres and less than \$8 per acre for each full acre in excess of 160 acres; and

(iv) is not devoted to commercial or industrial use.

(u) (i) "Rural residential land" means land that:

(A) is located outside the limits of a city or town;

(B) consists of not less than 20 or more than 160 contiguous acres;

(C) produces, in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a), less than \$1,500 for the first 20 acres and less than \$4 per acre for each full acre in excess of 20 acres; and

(D) is used or intended to be used for residential purposes, including incidental business operations conducted by the occupant and members of the occupant's family.

(ii) Rural residential land does not include property on which there are improvements, including a home, mobile home, or a housetrailer used as a residence, and 1 acre of land beneath the residential improvements.

~~(v)~~ The term "stock in trade" means any mobile home, manufactured home, or housetrailer that is listed by the dealer as inventory and that is offered for sale, is unoccupied, and is not located on a permanent foundation. Inventory does not have to be located at the business location of a dealer or a distributor.

~~(w)~~ The term "taxable value" means the percentage of market or assessed value as provided for in Title 15, chapter 6, part 1.

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" includes a county, city, incorporated town, township, school district, irrigation district, or drainage district or a person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification means the state tax appeal board."

Section 2. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:

(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for other purposes.

(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which the improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.

~~(c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1). The land may not be devoted to a commercial or industrial purpose.~~

(2) Class three property is taxed at the taxable percentage rate applicable to class four property, as provided in 15-6-134(2)(a).

~~(3) The land described in subsection (1)(c) is valued at the productive capacity value of grazing land, at the average grade of grazing land, and the taxable value is computed by multiplying the value by seven times the taxable rate for agricultural land."~~

Section 3. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) subject to 15-6-201(1)(z) and (1)(aa) and ~~subsections (1)(f) and (1)(g)~~ subsection (1)(e) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-201(1)(z) and (1)(aa) and ~~subsections (1)(f) and (1)(g)~~ subsection (1)(e) of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first \$100,000 or less of the taxable market value of any improvement on real property, including trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$15,000 for a single person or \$20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

~~(e) subject to 15-6-201(1)(z), all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.~~

~~(f)~~(e) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; ~~and~~

~~(g)~~(f) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots; and

(g) rural residential land as defined in 15-1-101.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), (1)(e), and (1)(f), ~~and (1)(g)~~ of this section is taxed at 3.794% of its taxable market value in tax year 1999.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.0835 percentage points each year until the tax rate is equal to or less than 3.46%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure based on

1 income and determined from the following table:

2 Income	Income	Percentage
3 Single Person	Married Couple	Multiplier
4	Head of Household	
5 \$0 - \$ 6,000	\$ 0 - \$ 8,000	20%
6 6,001 - 9,200	8,001 - 14,000	50%
7 9,201 - 15,000	14,001 - 20,000	70%

8 (ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation
9 annually by the department. The adjustment to the income levels is determined by:

10 (A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of
11 the PCE for the second quarter of the year prior to the year of application to the PCE for the second
12 quarter of 1995; and

13 (B) rounding the product thus obtained to the nearest whole dollar amount.

14 (iii) "PCE" means the implicit price deflator for personal consumption expenditures as published
15 quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department
16 of commerce.

17 (c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate
18 established in subsection (2)(a)(i).

19 (d) Property described in subsection (1)(g) is taxed at one-fourth the taxable percentage rate
20 established in subsection (2)(a).

21 (3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as
22 commercial property is comparable only to other property assessed as commercial property and property
23 assessed as other than commercial property is comparable only to other property assessed as other than
24 commercial property."

25

26 **NEW SECTION. Section 4. Class fourteen property -- description -- taxable percentage.** (1) Class
27 fourteen property includes rural nonagricultural land.

28 (2) Class fourteen property is taxed at one-fourth the taxable percentage rate as provided in
29 15-6-134(2)(a).

30

1 **Section 5.** Section 15-6-201, MCA, is amended to read:

2 **"15-6-201. (Temporary) Exempt categories.** (1) The following categories of property are exempt
3 from taxation:

4 (a) except as provided in 15-24-1203, the property of:

5 (i) the United States, except:

6 (A) if congress passes legislation that allows the state to tax property owned by the federal
7 government or an agency created by congress; or

8 (B) as provided in 15-24-1103;

9 (ii) the state, counties, cities, towns, and school districts;

10 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

11 (iv) municipal corporations;

12 (v) public libraries; and

13 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

14 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a
15 church and used for actual religious worship or for residences of the clergy, together with adjacent land
16 reasonably necessary for convenient use of the buildings;

17 (c) property used exclusively for agricultural and horticultural societies, for educational purposes,
18 and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health
19 and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed
20 by the department of public health and human services and organized under Title 35, chapter 2 or 3, is
21 not exempt.

22 (d) property that is:

23 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20,
24 or 21;

25 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent
26 care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

27 (iii) not maintained and operated for private or corporate profit;

28 (e) subject to subsection (2), property that is owned or property that is leased from a federal,
29 state, or local governmental entity by institutions of purely public charity if the property is directly used
30 for purely public charitable purposes;

1 (f) evidence of debt secured by mortgages of record upon real or personal property in the state
2 of Montana;

3 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
4 corporate profit;

5 (h) all household goods and furniture, including but not limited to clocks, musical instruments,
6 sewing machines, and wearing apparel of members of the family, used by the owner for personal and
7 domestic purposes or for furnishing or equipping the family residence;

8 (i) truck canopy covers or toppers and campers;

9 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

10 (k) motor homes;

11 (l) all watercraft;

12 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative
13 association or nonprofit corporation organized to furnish potable water to its members or customers for
14 uses other than the irrigation of agricultural land;

15 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
16 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by
17 another to explore, prospect, or dig for oil, gas, coal, or minerals;

18 (o) (i) property that is owned and used by a corporation or association organized and operated
19 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons
20 with physical or mental impairments that constitute or result in substantial impediments to employment
21 and that is not operated for gain or profit; and

22 (ii) property that is owned and used by an organization owning and operating facilities that are for
23 the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

24 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and
25 machinery with a market value of less than \$100;

26 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for
27 training and practice for or competition in international sports and athletic events and that is not held or
28 used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation"
29 means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code
30 and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(A) construct, repair, and maintain improvements to real property; or

(B) repair and maintain machinery, equipment, appliances, or other personal property;

(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;

(w) all vehicles registered under 61-3-456;

(x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors, including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

(ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection (1)(x)(i);

(y) motorcycles and quadricycles;

(z) the following percentage of the market value of residential property as described in 15-6-134(1)(e) and (1)(f):

~~(i) 16% for tax year 1999;~~

~~—— (ii) 23% for tax year 2000;~~

~~(iii)~~ (i) 27.5% for tax year 2001; and

~~(iv)~~ (ii) 31% for tax year 2002 and succeeding tax years;

(aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g)(1)(f):

~~(i) 6.5% for tax year 1999;~~

1 ~~—— (ii) 9% for tax year 2000;~~

2 ~~(iii)~~(i) 11% for tax year 2001; and

3 ~~(iv)~~(ii) 13% for tax year 2002 and succeeding tax years;

4 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock
5 used by an industrial dairy; and

6 (cc) light vehicles as defined in 61-1-139.

7 (2) (a) For the purposes of subsection (1)(e):

8 (i) the term "institutions of purely public charity" includes any organization that meets the
9 following requirements:

10 (A) The organization offers its charitable goods or services to persons without regard to race,
11 religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section
12 501(c)(3), Internal Revenue Code, as amended.

13 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the
14 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public
15 performances or entertainment or by other similar types of fundraising activities.

16 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property
17 is used by the charity to produce unrelated business taxable income as that term is defined in section 512
18 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural
19 property shall file annually with the department a copy of its federal tax return reporting any unrelated
20 business taxable income received by the charity during the tax year, together with a statement indicating
21 whether the exempt property was used to generate any unrelated business taxable income.

22 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
23 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
24 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property
25 includes all real and personal property reasonably necessary for use in connection with the public display
26 or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit
27 organization by an individual or for-profit organization, real and personal property owned by other persons
28 is exempt if it is:

29 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

30 (ii) held for future display; or

(iii) used to house or store a public display.

(3) For the purposes of subsection (1)(bb):

(a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.

(b) "industrial milk processor" means a facility and integral machinery used solely to process milk into milk products for export from the state.

(4) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) \$20,000 in the case of a single-family residential dwelling;

(b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

15-6-201. (Effective January 1, 2003) Exempt categories. (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes,

1 and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health
2 and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed
3 by the department of public health and human services and organized under Title 35, chapter 2 or 3, is
4 not exempt.

5 (d) property that is:

6 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20,
7 or 21;

8 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent
9 care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

10 (iii) not maintained and operated for private or corporate profit;

11 (e) subject to subsection (2), property that is owned or property that is leased from a federal,
12 state, or local governmental entity by institutions of purely public charity if the property is directly used
13 for purely public charitable purposes;

14 (f) evidence of debt secured by mortgages of record upon real or personal property in the state
15 of Montana;

16 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
17 corporate profit;

18 (h) all household goods and furniture, including but not limited to clocks, musical instruments,
19 sewing machines, and wearing apparel of members of the family, used by the owner for personal and
20 domestic purposes or for furnishing or equipping the family residence;

21 (i) truck canopy covers or toppers and campers;

22 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

23 (k) motor homes;

24 (l) all watercraft;

25 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative
26 association or nonprofit corporation organized to furnish potable water to its members or customers for
27 uses other than the irrigation of agricultural land;

28 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
29 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by
30 another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery with a market value of less than \$100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(A) construct, repair, and maintain improvements to real property; or

(B) repair and maintain machinery, equipment, appliances, or other personal property;

(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;

(w) all vehicles registered under 61-3-456;

(x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,

1 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

2 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under
3 subsection (1)(x)(i);

4 (y) motorcycles and quadricycles;

5 (z) the following percentage of the market value of residential property as described in
6 15-6-134(1)(e) and ~~(1)(f)~~:

7 ~~(i) 16% for tax year 1999;~~

8 ~~—— (ii) 23% for tax year 2000;~~

9 ~~(iii)(i)~~ 27.5% for tax year 2001; and

10 ~~(iv)(ii)~~ 31% for tax year 2002 and succeeding tax years;

11 (aa) the following percentage of the market value of commercial property as described in
12 15-6-134~~(1)(g)~~(1)(f):

13 ~~—— (i) 6.5% for tax year 1999;~~

14 ~~—— (ii) 9% for tax year 2000;~~

15 ~~(iii)(i)~~ 11% for tax year 2001; and

16 ~~(iv)(ii)~~ 13% for tax year 2002 and succeeding tax years;

17 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock
18 used by an industrial dairy;

19 (cc) items of personal property intended for rent or lease in the ordinary course of business if each
20 item of personal property satisfies all of the following:

21 (i) the acquired cost of the personal property is less than \$15,000;

22 (ii) the personal property is owned by a business whose primary business income is from rental or
23 lease of personal property to individuals and no one customer of the business accounts for more than 10%
24 of the total rentals or leases during a calendar year; and

25 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis; and

26 (dd) light vehicles as defined in 61-1-139.

27 (2) (a) For the purposes of subsection (1)(e):

28 (i) the term "institutions of purely public charity" includes any organization that meets the
29 following requirements:

30 (A) The organization offers its charitable goods or services to persons without regard to race,

1 religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section
2 501(c)(3), Internal Revenue Code, as amended.

3 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the
4 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public
5 performances or entertainment or by other similar types of fundraising activities.

6 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property
7 is used by the charity to produce unrelated business taxable income as that term is defined in section 512
8 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural
9 property shall file annually with the department a copy of its federal tax return reporting any unrelated
10 business taxable income received by the charity during the tax year, together with a statement indicating
11 whether the exempt property was used to generate any unrelated business taxable income.

12 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
13 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
14 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property
15 includes all real and personal property reasonably necessary for use in connection with the public display
16 or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit
17 organization by an individual or for-profit organization, real and personal property owned by other persons
18 is exempt if it is:

19 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

20 (ii) held for future display; or

21 (iii) used to house or store a public display.

22 (3) For the purposes of subsection (1)(bb):

23 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and
24 includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and
25 milk products solely for export from the state, either directly by the dairy or after the milk or milk product
26 has been further processed by an industrial milk processor. After export, any unprocessed milk must be
27 further processed into other dairy products.

28 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk
29 into milk products for export from the state.

30 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil

1 form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102,
2 are exempt from taxation for a period of 10 years following installation of the property:

3 (a) \$20,000 in the case of a single-family residential dwelling;

4 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

5 **15-6-201. (Effective on occurrence of contingency) Exempt categories.** (1) The following
6 categories of property are exempt from taxation:

7 (a) except as provided in 15-24-1203, the property of:

8 (i) the United States, except:

9 (A) if congress passes legislation that allows the state to tax property owned by the federal
10 government or an agency created by congress; or

11 (B) as provided in 15-24-1103;

12 (ii) the state, counties, cities, towns, and school districts;

13 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

14 (iv) municipal corporations;

15 (v) public libraries; and

16 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

17 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a
18 church and used for actual religious worship or for residences of the clergy, together with adjacent land
19 reasonably necessary for convenient use of the buildings;

20 (c) property used exclusively for agricultural and horticultural societies, for educational purposes,
21 and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health
22 and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed
23 by the department of public health and human services and organized under Title 35, chapter 2 or 3, is
24 not exempt.

25 (d) property that is:

26 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20,
27 or 21;

28 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent
29 care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

30 (iii) not maintained and operated for private or corporate profit;

1 (e) subject to subsection (2), property that is owned or property that is leased from a federal,
2 state, or local governmental entity by institutions of purely public charity if the property is directly used
3 for purely public charitable purposes;

4 (f) evidence of debt secured by mortgages of record upon real or personal property in the state
5 of Montana;

6 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
7 corporate profit;

8 (h) all household goods and furniture, including but not limited to clocks, musical instruments,
9 sewing machines, and wearing apparel of members of the family, used by the owner for personal and
10 domestic purposes or for furnishing or equipping the family residence;

11 (i) truck canopy covers or toppers and campers;

12 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

13 (k) motor homes;

14 (l) all watercraft;

15 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative
16 association or nonprofit corporation organized to furnish potable water to its members or customers for
17 uses other than the irrigation of agricultural land;

18 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
19 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by
20 another to explore, prospect, or dig for oil, gas, coal, or minerals;

21 (o) (i) property that is owned and used by a corporation or association organized and operated
22 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons
23 with physical or mental impairments that constitute or result in substantial impediments to employment
24 and that is not operated for gain or profit; and

25 (ii) property that is owned and used by an organization owning and operating facilities that are for
26 the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

27 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and
28 machinery with a market value of less than \$100;

29 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for
30 training and practice for or competition in international sports and athletic events and that is not held or

1 used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation"
2 means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code
3 and incorporated and admitted under the Montana Nonprofit Corporation Act.

4 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are
5 customarily hand-held and that are used to:

6 (A) construct, repair, and maintain improvements to real property; or

7 (B) repair and maintain machinery, equipment, appliances, or other personal property;

8 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design,
9 manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged
10 in manufacturing and launching space vehicles in the state or that are owned by a contractor or
11 subcontractor of that business and that are directly used for space vehicle design, manufacture, launch,
12 repair, and maintenance;

13 (s) harness, saddlery, and other tack equipment;

14 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined
15 in 33-25-105;

16 (u) timber as defined in 15-44-102;

17 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined
18 in 61-1-114, and travel trailers as defined in 61-1-131;

19 (w) all vehicles registered under 61-3-456;

20 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
21 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

22 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under
23 subsection (1)(x)(i);

24 (y) motorcycles and quadricycles;

25 (z) the following percentage of the market value of residential property as described in
26 15-6-134(1)(e) and ~~(1)(f)~~:

27 ~~(i) 16% for tax year 1999;~~

28 ~~—— (ii) 23% for tax year 2000;~~

29 ~~(iii)~~(i) 27.5% for tax year 2001; and

30 ~~(iv)~~(ii) 31% for tax year 2002 and succeeding tax years;

(aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g)(1)(f):

~~(i) 6.5% for tax year 1999;~~

~~—— (ii) 9% for tax year 2000;~~

~~(iii)(i)~~ 11% for tax year 2001; and

~~(iv)(ii)~~ 13% for tax year 2002 and succeeding tax years;

(bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy;

(cc) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:

(i) the acquired cost of the personal property is less than \$15,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

(dd) all agricultural implements and equipment;

(ee) all mining machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(ff) all manufacturing machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(gg) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(hh) special mobile equipment as defined in 61-1-104;

(ii) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(jj) x-ray and medical and dental equipment;

(kk) citizens' band radios and mobile telephones;

(ll) radio and television broadcasting and transmitting equipment;

(mm) cable television systems;

(nn) coal and ore haulers;

(oo) theater projectors and sound equipment; and

(pp) light vehicles as defined in 61-1-139.

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) For the purposes of subsection (1)(bb):

(a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and

1 milk products solely for export from the state, either directly by the dairy or after the milk or milk product
2 has been further processed by an industrial milk processor. After export, any unprocessed milk must be
3 further processed into other dairy products.

4 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk
5 into milk products for export from the state.

6 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil
7 form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102,
8 are exempt from taxation for a period of 10 years following installation of the property:

9 (a) \$20,000 in the case of a single-family residential dwelling;

10 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

11

12 **Section 6.** Section 15-7-202, MCA, is amended to read:

13 **"15-7-202. Eligibility of land for valuation as agricultural.** (1) (a) ~~Contiguous~~ Except as provided
14 in subsection (1)(b), contiguous parcels of land ~~totaling 160~~ that total 20 acres or more under one
15 ownership and that are used primarily for the production of products that are agricultural, as defined in
16 15-1-101, are eligible for valuation, assessment, and taxation as agricultural land each year that none of
17 the parcels is devoted to a residential, commercial, or industrial use and each year that the parcels meet
18 either of the following qualifications:-

19 ~~(b) (i) Contiguous parcels of land of 20 acres or more but less than 160 acres under one~~
20 ~~ownership are eligible for valuation, assessment, and taxation as agricultural land if the land is used~~
21 ~~primarily for raising and marketing, as defined in subsection (1)(c), products that meet the definition of~~
22 ~~agricultural in 15-1-101. A parcel of land is presumed to be used primarily for raising agricultural products~~
23 ~~if the parcels produce and the owner or the owner's immediate family members, agent, employee, or~~
24 ~~lessee markets from the raising of agricultural products not less than:~~

25 (A) \$1,500 in annual gross income, plus at least \$4 per acre for each acre in excess of 20 acres
26 on parcels of land totaling at least 20 acres but not more than 160 acres; or

27 (B) \$2,060 in annual gross income, plus \$8 per acre for each acre in excess of 160 acres on
28 parcels of land totaling more than 160 acres from the raising of agricultural products produced by the land.
29 ~~The owner of land that is not presumed to be agricultural land shall verify to the department that the land~~
30 ~~is used primarily for raising and marketing agricultural products; or~~

(ii) the parcels would have met the qualifications set out in subsection (1)(a)(i) if it were not for independent, intervening causes of production failure beyond the control of the producer or for marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(b)~~ Noncontiguous parcels of land that meet the income requirement of subsection ~~(1)(b)(i)~~ (1)(a) are eligible for valuation, assessment, and taxation as agricultural land under subsection ~~(1)(b)(i)~~ (1)(a) if:

~~(A)(i)~~ the land is an integral part of a bona fide agricultural operation undertaken by the persons set forth in subsection ~~(1)(b)(i)~~ (1)(a)(i) as defined in this section; ~~and~~

~~(B)(ii)~~ the land is not devoted to a residential, commercial, or industrial use; and

(iii) the land is under the same ownership as land eligible under subsection (1)(a).

(c) For the purposes of this subsection (1):

(i) "marketing" means the selling of agricultural products produced by the land and includes but is not limited to:

(A) rental or lease of the land as long as the land is actively used for grazing livestock or for other agricultural purposes; and

(B) rental payments made under the federal conservation reserve program or a successor to that program;

(ii) land that is devoted to residential use or that is used for agricultural buildings and is included in or is contiguous to land under the same ownership that is classified as agricultural land, ~~other than land described in 15-6-133(1)(c),~~ must be classified as agricultural land, and the land must be valued as provided in 15-7-206.

(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural each year that the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

(b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent, intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(3) Parcels that do not meet the qualifications set out in subsections (1) and (2) may not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk

1 and recorder in compliance with the Montana Subdivision and Platting Act.

2 (4) Land may not be classified or valued as agricultural if it is subdivided land with stated
3 restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection
4 only, "subdivided land" includes parcels of land larger than 20 acres that have been subdivided for
5 commercial or residential purposes.

6 (5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona
7 fide agricultural enterprise is not considered a bona fide agricultural operation.

8 (6) (a) The department may not classify land less than 160 acres as agricultural unless the owner
9 has applied to have land classified as agricultural land. Land of 20 acres or more but less than 160 acres
10 for which no application for agricultural classification has been made is taxed as provided in
11 15-6-133(1)(c). If land has been valued, assessed, and taxed as agricultural land in any year, it must
12 continue to be valued, assessed, and taxed as agricultural until the department reclassifies the property.
13 A reclassification does not mean revaluation pursuant to 15-7-111.

14 (b) An owner of agricultural land shall certify annually, under rules adopted by the department,
15 that the land qualifies as agricultural land under this section. The department, in promulgating certification
16 rules, shall make the rules simple and easy to administer and comply with. The department may not
17 require detailed financial statements to support the annual certification by the owner, but it may require
18 the use of existing federal or state reporting forms.

19 (7) For the purposes of this part, growing timber is not an agricultural use."
20

21 **Section 7.** Section 15-7-206, MCA, is amended to read:

22 **"15-7-206. Improvements on agricultural land.** (1) In determining the total area of land actively
23 devoted to agricultural use, there is included the area of all land under barns, sheds, silos, cribs,
24 greenhouses, and like structures, lakes, dams, ponds, streams, irrigation ditches, and like facilities.

25 (2) One acre of land beneath agricultural improvements on agricultural land, ~~as described in~~
26 ~~15-7-202(1)(c)(ii),~~ is valued at the class with the highest productive value and production capacity of
27 agricultural land."
28

29 **NEW SECTION. Section 8. Codification instruction.** [Section 4] is intended to be codified as an
30 integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to

1 [section 4].

2

3 NEW SECTION. **Section 9. Effective date.** [This act] is effective January 1, 2002.

4

5 NEW SECTION. **Section 10. Applicability.** [This act] applies to tax years beginning after December
6 31, 2001.

7

- END -